

Existence of Capitalist Economic System in Indonesia

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ABSTRACT--*The purpose of this study was to determine and analyze the framework of the capitalist economic system and how the existence of the capitalist economic system in Indonesia. This research is a normative and empirical jurisdiction. Normative juridical approach is done by clicking examine and interpret things concerning the theoretical principles, conception, doctrine and legal norms. The empirical juridical approach by research field. The results showed that the framework of the capitalist economic system that includes the Free Market, Public Expenditure Limitation, deregulation, privatization, Eliminating the Concept of Public Goods, Scarcity (Scarcity) view of the values to (value) goods, the role of prices in a capitalist economic system. Besides the existence of the capitalist economic system in Indonesia entered the new order in which the new order Indonesia's economic system is more inclined to the west of this is evident with the cooperation of Indonesia to the world bank and the IMF. From the research it needs the most urgent changes that must be made by the Indonesian government to implement structural economic system*

Keywords: *capitalist, economic, Free Market*

I. INTRODUCTION

In any economic system, whether capitalist economic system or the socialist economic system, the government always has an important role. The role of government is very large in the socialist economic system and very limited in pure capitalist economic system like the capitalist system propounded by Adam Smith. Adam Smith put forward the theory that the government only has three functions:

- a. Government functions to maintain internal security and defence.
- b. Government to hold a judicial function.
- c. The function of the government to provide goods that are not provided by the private sector, as well as roads, dams-damdan forth.

Capitalist economic system is the economic system that provides full freedom to everyone to carry out economic activities such as producing goods, selling goods, distributing goods and so forth. In this system the government can take part to ensure a smooth, and sustainable economic activities that run, but could also government did not interfere in the economy. In a capitalist economy every citizen can set up her own destiny according to his ability. Everyone is free to compete in the business to gain maximum profit.

Everyone is free doing competition to win free competition in various ways. In various theoretical exposure, colonialism, imperialism, capitalism, and globalization are related phenomena. Imperialism is the political means to control (by force) throughout the world for its own sake that is formed as an empire. Master here does not mean the power to seize the weapon, but it can be run with the power of the economy, culture, religion, and ideology, provided by coercion. In another definition, be regarded as the expansion of imperialism by force the territory of one state with territorial conquest is the basis of the establishment of political and economic domination of the other countries that are not a colony.

Capitalist economic system is the product of the theory of Adam Smith was born in the 17th century, the theory requires each person is given the freedom to strive to perfect competition, to eliminate all government intervention, Adam Smith's theory survived until 1930. After the depression of the world economy, the economic thinkers thought that the need for government intervention in managing the world economy through policy, this concept is expressed by keyness, in private deposit welcome this concept evolved but government intervention is still needed to stabilize economy. Since 1944 keyness this concept adopted by most countries angora UN, but with the world oil crisis in 1973, inspired the re-emergence of a capitalist economic system with a new name neoliberalism economic system.

II. RESEARCH METHOD

This study uses the approach of juridical normative and empirical. Normative juridical approach is done by clicking examine and interpret things concerning the theoretical principles, conception, doctrine and legal norms. The empirical juridical approach by research field

- a. Normative juridical approach is the approach taken by the primary legal materials by means of studying the theories, concepts, principles of law as well as legislation related to this research. This approach is also known by the literature approach, by studying books, legislation and other documents related to this research.
- b. Juridical empirical approach that is done by looking at the fact that there are in practice in the field. This approach is also known by the sociological approach made directly to the field

III. FINDINGS AND DISCUSSION

An overview of the capitalist economic system

The term "system" is derived from the words "Systema" (Greek), which can be defined as: a whole consisting of various sections. The system is composed of a set of components that work together to achieve the objectives of the entire system. A system can be described as a collection of components Part where some of these components are interconnected permanently within a certain period.

- 1) Each system is not just a collection of various parts, elements or components, but is a complete and coherent roundness.
- 2) Any system activity or process of converting inputs into outputs. Understanding the economic system covers the whole process and community events in an effort to make ends meet or achieve prosperity. In the economic system there are also elements of the economic system, which consists of:
 - a. Economic units such as households, corporations, labor unions, government agencies and other institutions related to economic activity.
 - b. Economic actors such as consumers, producers, workers, investor and officials concerned.
 - c. Environment Natural Resources (SDA) and Human Resources (HR),
 - d. Resource Capital (SDK), Resource Technology (SDT). While the institutions/Economic Institution itself is a mechanism that controls the activities of economists, which consists of: Norma lives, such religious norms, customs, traditions, ethics of the profession. Rule of life, such as the Constitution (Constitution), laws, government regulations (PP), Blood Regulation (Perda), Presidential Decree (Decree), Decree / Circular of Authorized Officer, Bilateral Agreements / International.

According to Deliarnov, the economic system is the interaction of economic units are small (consumers and producers) into a larger economic unit, in a given region. In an economic system covered the whole process and community activities in their efforts to meet the needs of limited.

The economic system adopted by each community or country is not the same. It depends on the basic decisions on the possession, production, distribution and consumption do. There decisions on individuals (private) or known as a liberal system / capitalism and others must be set by the center or socialism.

In an economic system covered by the values, habits, customs, laws, norms, the following rules will deal a common goal authority and power to mobilize existing resources for a common goal. Economic system embraced by a nation (country or group of people) depending on doctrine, sects, or the flow of economic views which in

turn is also influenced by a set of values (set of values) that is embraced by a nation or community groups (such as customs, habits, norms, beliefs, ideology, philosophy).

Capitalism in dictionary Indonesian interpreted as a system and understand the economy (investments, industrial activities) rooted in private capital or capital of a private company with the characteristics of competition and the free market.

Wikipedia defines capitalism as a misunderstanding to believe that the owners of capital can do business for maximum profit. For the sake of these principles, the government cannot intervene in order to gain market together. Nevertheless, capitalism actually has no universal definition that can be widely accepted.

Some experts define capitalism as a system that went into effect in Europe in the 16th century until the 19th century, ie during development of commercial banking Europe where a group of individuals and groups can act as an entity who may have as well as trade and possessions personal, especially capital goods, such as land and people to the process of change of capital goods to barang jadi. the fundamental characteristics of capitalism according to Mandel's economy is as follows:

1. Production consists of the production of commodities, the production aims to sell in the market. If the commodity is produced is not sold on the existing price, the company capitalist and bourgeois class as a whole will get more value generated through commodity trade.
2. Production is executed under conditions in which the means of production are privately owned. Their power to organize a productive force (means of production and labor) does not belong to the collective, but divided between companies controlled by capitalist groups were different (the interests of individuals and families, limited companies and financial groups).
3. The production run for an unlimited market and under the pressure of competition. Each individual capitalists (private owners, each company or group of capitalists) trying to get the biggest benefit without considering the overall results of similar decisions taken by other companies operating in the same field. This is done to obtain the greatest benefit portion of benefits that can be dredged from the market.
4. The purpose of capitalist production is to maximize profits. Owners of pre-capitalist class life of the social surplus product, is generally consumed in unproductive ways. Capitalists have to lower production costs (cost and price) as well as the use of advanced engine technology to get a large amount of capital. Therefore, under the lash of competition, capitalism is obliged to seek the maximization of profit in order to develop productive investment up to a maximum.

How can the framework of the capitalist economic system

Elizabeth Martinez and Arnolando Garcia described the five main framework of neoliberalism:

1. Free market.

In the concept of free private market freed from its attachment to the State and responsibility towards the social problems that occur because of their company's activities. Reducing the level of wages by removing trade unions and labor rights cut price moves left without government intervention. Total freedom in the movement of capital, goods, services. The bearers free market always expressed: the unregulated market is the best way to promote economic growth, and provide benefits for everyone.

2. Restrictions on Public Expenditure Budget.

Public budgets such as health, education, fulfillment of clean water, electricity, public roads, public facilities, and help for the poor should be reduced and constrained so as not to burden the state budget. This view is tantamount to reducing the role of government in the economy and meet the needs of the public. But behind the neoliberal understand this, the corporation and the owners are very supportive of capital subsidies and tax deductions that benefit their business.

3. Deregulation.

Deregulation reduce or even remove regulations that hamper business interests of the corporation and the owners of capital.

4. Privatization.

An institution sell the business, goods or services which belong to the State (SOEs) to investors, especially in bentuk bank assets, industry-a key industry, railways, highways, electricity, schools, hospitals, and water. Privatization primary reason for achieve efficiency. But in fact the privatization creates such person concentration of wealth into the hands of the rich while the people have to bear the brunt of public utilities yang prices expensive.

Eliminating the Concept of Public Goods.

The transfer of responsibility for public procurement of goods and services darai of the State is the responsibility of the individual. In other words, people have to find their own solutions to their subsistence for goods public. Kelahiran neoliberalism simply can not be separated from the existence of the ideology of capitalism. Liberal character which is based on freedom and individual interests continue to make offers of economic activity goes like law of the jungle. Philosuf United Herbert Spencer looked natural selection (survival of the fittest) as required frinsip economic activity in the system of capitalism. Consequently, the economy is weak oppressive manner and facilitate strong (owners of

capital) in order resources allocation (resources) and a market share in the hands of the owners of capital. A phenomenon that occurs with the birth of this neoliberalis economic system is characterized increasingly rampant companies are pushing the boundaries between countries, known as the Trans National Corporate (TNC) and the Multi-National Corporate (MNC). According to Tony Clarke (2001), at present, 70 percent of world trade is controlled by only about 500 TNC / MNC. And half of the investment in the world is owned by only one percent of TNC. More than 500 TNC / MNC of the world's richest, a total of 443 companies, which came from the US 185, Europe 158 and Japan 100. 70 percent of world trade is controlled by only about 500 TNC / MNC. And half of the investment in the world is owned by only one percent of TNC. More than 500 TNC / MNC of the world's richest, a total of 443 companies, which came from the US 185, Europe 158 and Japan 100. 70 percent of world trade is controlled by only about 500 TNC / MNC. And half of the investment in the world is owned by only one percent of TNC. More than 500 TNC / MNC of the world's richest, a total of 443 companies, which came from the US 185, Europe 158 and Japan 100.

In addition the framework of the capitalist economic system can also be seen as follows:

1. Scarcity (Scarcity) Economic Sources. The made of scarcity due to the clash between human needs that are not limited by the limited (scarce) economic goods available in the business connecting it is by way of increasing the number of goods and services as much as possible so unlimited human needs can be minimized, their lackness the economic resources of the capitalist economy saw three principal economic problems to be solved (1). What should be produced and in what quantities (What)? The first question in general regarding the goods and services required by the people, and in particular concerning the synchronization between the needs of people with purchasing power. (2). How economic resources (factors of production) that is available to be used to produce these goods (HOW)? The second answer to the problems that are concerned about production techniques. That is how to combine the factors of production-factor to get the optimum output. (3) .For whom the goods are in production; or how these items are distributed among members of the community (for Whom)? answer to the problems of this third capitalist economic expert to answer with a theoretical discussion of price, namely the role of price in determining production-distribution-consumption. Although the answers to these problem must eventually collide with the level of consumer demand, in which the level of consumer demand is influenced by many factors.
2. This view of the values to (value) valueof goods. In the capitalist economic system is something very urgent. Because the value is a means to see the benefits of certain goods and services, as well as to

determine the ability of producers and consumers. There are two categories of the value of goods and services that is related to the value of goods for individual uses a so-called value (utility value), and those related to the value of an item to another item called the exchange rate (exchange value).

3. The role of economic capitalist. In the prices of the capitalist economic system, the price has a role in activities of production, consumption, and distribution through the pricing structure.

How the capitalist economic system in Indonesia

Economic history of Indonesia during the colonial period 3.5 centuries depicts the exploitation of the liberal capitalist system over the economy that resulted in the impoverishment of the people and the distribution of income and wealth of society were very limp. The social structure of the economy that is not socially just this, generate a determination sublime proclamation of independence, want to change into a society that is fair and prosperous based on Pancasila: on God, humanity just and civilized, Indonesian Unity and Democracy led by Wisdom Wisdom in Consultative/ representatives, as well as realizing social justice for all Indonesian people.

With legacy systems dualistic economic and socio-cultural system of pluralistic, Indonesia build through the "experiment" of the socialist system and the capitalist system in the global economic system atmosphere bernaluri predator (predator). The first experiment in the form of a socialist economic system (1959-66) failed because it did not correspond with Pancasila moral and pluralism of the nation, while the second experiment the "democratic" system based on free-market capitalism (1966-1998) too far because international understanding of liberalism and neoliberalism more aggressive control the economy Indonesia in the spirit of globalization were fierce. The question that arises then what direction our economic system after 1998?

To understand whether the country-style capitalism is socialism or vice versa, the indicator most easy to use is to look at how big parties that dominate economic sectors. If the economic sectors more dominated by the private sector, these countries tend to have the character of capitalism and vice versa, if the economy more controlled by the state, then it is patterned socialism. By using the benchmarks above, we can discover the extent to which the grip of capitalism has spread to Indonesia. Indeed traces of capitalism in Indonesia can be traced when Indonesia began to enter the era of the New Order government.

New Order government began in March 1966. The New Order government orientation is contrary to an earlier era. Orba policy more aligned to the West and away from socialist ideology. With the improvement of Indonesian politics with Western countries, the flow of foreign capital began to enter Indonesia, in particular FDI (Foreign Direct Investment) and foreign debt began to

increase. By the early 1970s in cooperation with the World Bank, International Monetary Fund (IMF), the Asian Development Bank (ADB) formed a consortium Inter-Government Group on Indonesia (IGGI) which consists of a number of industrialized countries including Japan to finance the construction in Indonesia. It was then that Indonesia is considered to have shifted the economic system of socialism toward semi capitalism (Tambunan, 1998). The period of the late 1980s and early 1990s economic system in Indonesia continues to shift. Given that many policies taken by the government, we can judge that there is a mainstream economic system have been or have been 'forced' to our country.

Political economic issues many were taken towards liberalized economy, both liberalized financial sector, industrial sector and trade. The private sector is expected to play a bigger role because the government considered to have failed in allocating economic resources to maintain sustainable economic growth, both derived from the exploitation of natural resources and foreign debt. Pakto '88 can be considered a milestone point liberalized economic policy in Indonesia. The proliferation of the banking industry in Indonesia, which is followed by the transactions of foreign debt of private companies very rapidly, coloring economic arena Indonesia at that time. Future economic development of the New Order was finally ended.

The culmination of the failure of the New Order economic development marked by the explosion of the financial crisis, which was followed by the collapse of all the joints of the Indonesian economy. After the monetary crisis, entering the reform era, Indonesia's economy policy was not eased one bit from the previous pattern. Even the more liberal. By following the lines that have been determined by the Fund, Indonesia actually has towards liberalized economy.

IV. CONCLUSION

The conclusion that can be obtained in this paper is that the framework of the capitalist economic system is Free market. Public Expenditure Budget restrictions, deregulation, privatization, Eliminating the Concept of Public Goods. Scarcity (Scarcity) view of the values to (value) of goods. Perana eKomi prices in the capitalist system. In addition capitalist economy in Indonesia entered the new order in which the new order Indonesia's government economic system is more inclined to the west of this is evident with the cooperation of Indonesia to the world bank and the IMF.

Given the economic problems facing Indonesia, the most urgent changes that must be done is change the economic system that are structural, functional although the movement should also not be forgotten. Structural economic change means replacing the economic system, of the capitalist economic system is patterned into a new economic system. However, the change does not mean

changing the system into a socialist economic system, because the economic system has also been proven to fail. There is still a hope that the changes to the economic system that is compatible with the noble values which are owned by the people of Indonesia are cultured, their togetherness and religious. Ethics slump development, especially in the field of law and modern business is closely related to the imposition of compliance with global rules that are unfamiliar and difficult to fulfill national companies. Understand the rules of globalization with fierce Neoliberal mainly derived from the teachings of the "Washington Consensus" have cornered the role of developing countries including Indonesia. KKN (corruption, collusion, and nepotism) is a shortcut businesses to win the competition by unscrupulous pervasive bureaucracy characterized by semi-feudal. People's Economic Ethics honest, democratic and open, which emphasizes collective action (collective action) and cooperation (cooperation), is the key to recovery and economic recovery from the prolonged crisis.

Therefore, one of the solutions in the search for the form of the National Economic Systems Indonesia is a Democratic Economy System of economy berasas democratic and moral kinship with people taking sides on the economic sector. Siding and protection of people's economic strategy is to enable and empower economic actors people since colonial times, and half a century of Indonesia Merdeka always in a position of helplessness. It is a prerequisite for national economic system there must be social justice is sovereign in the political, economic self-reliance, and personality in the cultural field.

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